

0.a. Goal

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

0.b. Target

Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

0.c. Indicator

Indicator 8.3.1: Proportion of informal employment in total employment, by sector and sex

0.d. Series

Proportion of informal employment, by sector and sex

0.e. Metadata update

2022-03-31

0.f. Related indicators

1.1.1, 1.3.1, 8.5.2

0.g. International organisations(s) responsible for global monitoring

International Labour Organization (ILO)

1.a. Organisation

International Labour Organization (ILO)

2.a. Definition and concepts

Definition:

This indicator presents the share of employment which is classified as informal employment in the total economy, and separately in agriculture and in non-agriculture.

Concepts:

Employment comprises all persons of working age who, during a short reference period (one week), were engaged in any activity to produce goods or provide services for pay or profit.

Informal employment comprises persons who in their main or secondary jobs were in one of the following categories:

- Own-account workers, employers and members of producers' cooperatives employed in their own informal sector enterprises (the characteristics of the enterprise determine the informal nature of their jobs);
- Own-account workers engaged in the production of goods exclusively for own final use by their household (e.g. subsistence farming);
- Contributing family workers, regardless of whether they work in formal or informal sector enterprises (they usually do not have explicit, written contracts of employment, and are not subject to labour legislation, social security regulations, collective agreements, etc., which determines the informal nature of their jobs);
- Employees holding informal jobs, whether employed by formal sector enterprises, informal sector enterprises, or as paid domestic workers by households (employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits).

For the purpose of classifying persons into formal or informal employment for this indicator, only the characteristics of the main job are considered.

An enterprise belongs to the informal sector if it fulfils the three following conditions:

- It is an unincorporated enterprise (it is not constituted as a legal entity separate from its owners, and it is owned and controlled by one or more members of one or more households, and it is not a quasi-corporation: it does not have a complete set of accounts, including balance sheets);
- It is a market enterprise (it sells at least some of the goods or services it produces);
- The enterprise is not registered or the employees of the enterprise are not registered or the number of persons engaged on a continuous basis is below a threshold determined by the country.

2.b. Unit of measure

Percent (%)

2.c. Classifications

The breakdown by sector is based on the International Standard Industrial Classification of All Economic Activities (ISIC). Agriculture corresponds to ISIC Rev. 4 section A, Rev. 3 sections A and B, and Rev.2 section 1 and non-agriculture corresponds to Rev. 4 sections B-U, Rev. 3 sections C-Q, and Rev. 2 sections 2-9.

3.a. Data sources

The preferred source of data for this indicator is a labour force survey, with sufficient questions to determine the informal nature of jobs and whether the establishment where the person works in belongs to the formal or the informal sector.

3.b. Data collection method

The ILO Department of Statistics processes national household survey micro datasets in line with internationally-agreed indicator concepts and definitions set forth by the International Conference of Labour Statisticians.

3.c. Data collection calendar

Continuous

3.d. Data release calendar

Continuous

3.e. Data providers

National Statistical Offices

3.f. Data compilers

International Labour Organization (ILO)

3.g. Institutional mandate

The ILO is the UN focal point for labour statistics. It sets international standards for labour statistics through the International Conference of Labour Statisticians. It also compiles and produces labour statistics with the goal of disseminating internationally-comparable datasets, and provides technical assistance and training to ILO member States to support their efforts to produce high quality labour market data.

4.a. Rationale

In contexts where social protection coverage is limited, social security benefits (such as unemployment insurance) are insufficient or even inexistent, and/or where wages and pensions are low, individuals may have to take up informal employment to ensure their livelihood. In these situations, indicators such as the unemployment rate would provide a very incomplete picture of the labour market situation, overlooking major deficits in the quality of employment. Statistics on informality are key to assessing the quality of employment in an economy and are relevant to developing and developed countries alike (ILOSTAT indicator description for informality, available at <https://ilostat.ilo.org/resources/concepts-and-definitions/description-informality/>).

4.b. Comment and limitations

The considerable heterogeneity of definitions and operational criteria used by countries to measure informal employment greatly hinders the international comparability of statistics on informality.

In order to counter this challenge, for the purpose of SDG global reporting and monitoring, the series is solely based on harmonized data produced by the ILO using the same operational process for all countries. Although some differences in criteria and definitions remain across countries, the process is designed to produce data that are as internationally comparable as possible given the underlying data sources.

4.c. Method of computation

Proportion of informal employment in total employment = $\frac{\text{Informal employment}}{\text{Total employment}} \times 100$

$$\text{Proportion of informal employment in agriculture} = \frac{\text{Informal employment in agricultural activities}}{\text{Total employment in agriculture}} \times 100$$

$$\text{Proportion of informal employment in non agricultural employment} = \frac{\text{Informal employment in non agricultural activities}}{\text{Total employment in non agricultural activities}} \times 100$$

4.d. Validation

The ILO engages in annual consultations with member States through the ILOSTAT questionnaire and related Statistics Reporting System (StaRS). National data providers receive a link to the portal where they can review all national SDG data available on ILOSTAT.

4.e. Adjustments

Through the ILO Harmonized Microdata initiative, the ILO strives to produce internationally comparable labour statistics based on the indicator concepts and definitions adopted by the International Conference of Labour Statisticians.

4.f. Treatment of missing values (i) at country level and (ii) at regional level

- **At country level**

Not applicable

- **At regional and global levels**

See below

4.g. Regional aggregations

The ILO produces single year global and regional estimates of informal employment by sex and economic sector (total, agriculture, non-agriculture) based on available national estimates. The current estimates have a benchmark year of 2019 and input data range from 2009 to 2019 with 67 per cent of the countries referring to 2018 or 2019. Benchmark employment data are derived from the ILO modelled estimates series. The input data used in the production of the 2019 estimates cover 92.8 per cent of global employment.

Values for missing countries are imputed on the basis of average (mean) values for each country income group (based on the World Bank's classification of four country income groups) within each ILO broad sub-region, as shown here: <https://ilostat.ilo.org/resources/concepts-and-definitions/classification-country-groupings/>. If imputations cannot be carried out at the level of ILO broad sub-region and four income groups, they are done at the level of ILO region and four income groups. For some upper-middle-income countries for which imputations are not feasible through the above methodologies, the imputations are carried out according to three income groups (merging all upper- and lower-middle-income countries into a single middle-income group) and ILO broad sub-region.

4.h. Methods and guidance available to countries for the compilation of the data at the national level

- ILO Guidebook - Decent Work and the Sustainable Development Goals: A Guidebook on SDG Labour Market Indicators (https://www.ilo.org/stat/Publications/WCMS_647109/lang--en/index.htm)
- Resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians (January 1993), available at https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087484.pdf
- Guidelines concerning a statistical definition of informal employment, adopted by the Seventeenth International Conference of Labour Statisticians (November-December 2003) available at https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087622.pdf
- ILO manual Measuring informality: A statistical manual on the informal sector and informal employment available at http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_222979.pdf

4.i. Quality management

The processes of compilation, production, and publication of data, including its quality control, are carried out following the methodological framework and standards established by the ILO Department of Statistics, in compliance with the information technology and management standards of the ILO.

4.j. Quality assurance

Data consistency and quality checks are regularly conducted for validation of the data before dissemination in the ILOSTAT database.

4.k. Quality assessment

The final assessment of the quality of information is carried out by the Data Production and Analysis Unit of the ILO Department of Department. In cases of doubt about the quality of specific data, these values are reviewed with the participation of the national agencies responsible for producing the data if appropriate. If the issues cannot be clarified, the respective information is not published.

5. Data availability and disaggregation

Data availability:

Data for this indicator is available for 97 countries and territories.

Both country-reported estimates and ILO harmonized estimates of informal employment are available in ILOSTAT (<https://ilostat.ilo.org/>).

This submission does not include data for regional aggregates of Oceania (excluding Australia and New Zealand) because of low data availability.

Time series:

The submission covers global and regional data for 2019 and country data from 2000 to 2021.

Disaggregation:

Data on this indicator is requested disaggregated by sector and sex.

Here, sector refers to the breakdown by agriculture/non-agriculture. Where necessary and possible, the disaggregation by sector could go into a more detailed breakdown by economic activity, but for the purpose of global and regional monitoring, the aggregate categories of agriculture and non-agriculture are used.

In order to produce this indicator, employment statistics disaggregated by formal/informal employment and by economic activity (agriculture/non-agriculture) are needed.

6. Comparability/deviation from international standards

Sources of discrepancies:

Although some international standards do exist for the compilation of informal employment statistics, the relevant concepts and definitions have been left relatively flexible so as to accommodate national contexts and needs. This means that, in practice, the operational criteria used by countries to compile data at the national level vary significantly from country to country, hindering the international comparability of statistics. The comparability of informal employment statistics is also highly sensitive to differences in the geographical areas covered, the economic activities covered and the treatment of special groups of workers.

7. References and Documentation

- ILO Guidebook - Decent Work and the Sustainable Development Goals: A Guidebook on SDG Labour Market Indicators (https://www.ilo.org/global/statistics-and-databases/publications/WCMS_647109/lang--en/index.htm)
- Resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians (January 1993), available at https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087484.pdf
- Guidelines concerning a statistical definition of informal employment, adopted by the Seventeenth International Conference of Labour Statisticians (November-December 2003) available at https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087622.pdf
- ILO manual Measuring informality: A statistical manual on the informal sector and informal employment, available at http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_222979.pdf

- ILOSTAT database, available at <https://ilostat.ilo.org>
- ILOSTAT's indicator description on informality, at <https://ilostat.ilo.org/resources/concepts-and-definitions/description-informality/>
- Resolution concerning statistics of work, employment and labour underutilization adopted by the Nineteenth International Conference of Labour Statisticians (October 2013), available at https://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_230304/lang--en/index.htm
- International Standard Industrial Classification of All Economic Activities <https://unstats.un.org/unsd/classifications/Econ/isc>